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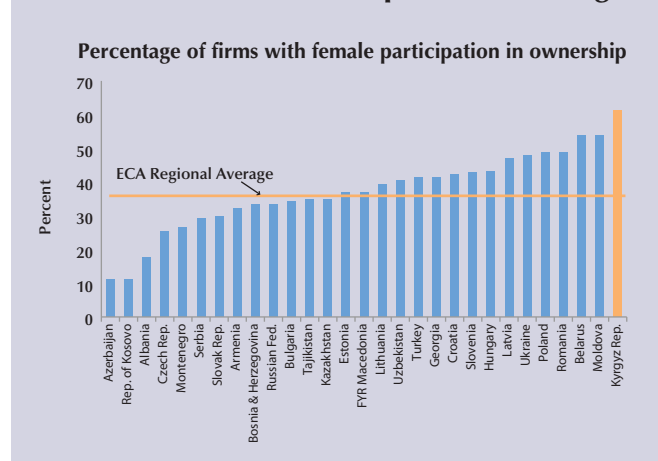
KYRGYZ REPUBLIC

Running a Business in the Kyrgyz Republic

New data from Enterprise Surveys indicate that business regulation reforms in the Kyrgyz Republic, such as simplifying tax payment procedures, are positively impacting the private sector. Firms interviewed in 2005 and 2009 report significantly lower incidences of tax-related bribes when required to meet with tax officials. Nevertheless, firms continue to face obstacles such as corruption, inadequate provision of electricity, and limited access to finance. Small firms in particular are more credit-constrained compared to larger firms. The Kyrgyz Republic lags far behind the region regarding technology innovation measures. The Kyrgyz Republic is second to bottom in capacity utilization (58 percent); only Georgia is lower (50 percent). The percentage of firms using e-mail to communicate with clients and suppliers and the percentage of firms using their own Web site are some of the smallest in the Eastern Europe and Central Asia (ECA) region. Finally, the Kyrgyz Republic leads ECA countries in female participation in ownership (figure 1).

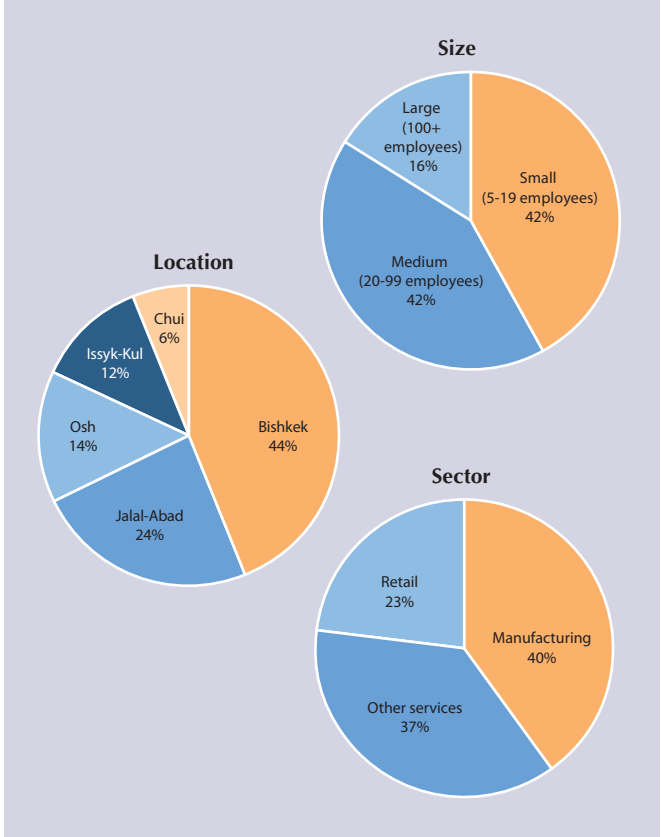
The Enterprise Surveys¹ use standard survey instruments to collect firm-level data on the business environment from business owners and top managers. The surveys cover a broad range of topics, including access to finance, corruption, infrastructure, crime, competition, labor, obstacles to growth, and performance measures. The survey is designed to be representative of a country's private non-agricultural economy, and firms sampled are

Figure 1 The Kyrgyz Republic has the highest female participation in firm ownership in the ECA region



Source: Enterprise Surveys.

Figure 2 Characteristics of the firms interviewed



Source: Enterprise Surveys.

Table 1 How does the Kyrgyz Republic 2009 compare within Eastern Europe and Central Asia

Ranking 1 assigned to the largest value	Descending ranking (out of 29 countries)
Percent of firms formally registered when started operations in the country	20
Private domestic ownership (%)*	27
Private foreign ownership (%)*	2
Government/state ownership (%)*	15
Percent of firms with female participation in ownership	1
Bank finance for investment (%)	24
Percent of exporter firms	21
Domestic sales (% of sales)	11
Percent of firms with internationally recognized quality certification	19
Percent of firms with annual financial statement reviewed by external auditor	12
Capacity utilization (%)	28
Percent of firms using their own web site	26
Percent of firms using e-mail to communicate with clients/suppliers	25
Ranking 1 assigned to the smallest value	Ascending ranking (out of 29 countries)
Value of collateral needed for a loan (% of the loan amount)	14
Number of power outages in a typical month	24
Senior management time spent in dealing with requirements of government regulation (%)	4
Average number of visits or required meetings with tax officials	23
Incidence of graft index **	25
Losses due to theft, robbery, vandalism, and arson against the firm (% of sales)	8

Source: Enterprise Surveys.

Note: This table presents a ranking out of 29 economies for each of the listed indicators. The numbers are ranks as opposed to the actual value of the indicator.

stratified by size, location, and sector (figure 2)² to ensure that most major types of firms are covered. Only firms with five employees or more are included in the sample. In the Kyrgyz Republic, 235 firms were surveyed from September 2008 through March 2009. The information collected refers to a firm's characteristics at the moment it was surveyed or during fiscal year 2007.

What is the average firm in the Kyrgyz Republic?

The average firm³ in the Kyrgyz Republic is 16 years old even though more than 75 percent of the firms are younger than the average age. Firms in the Kyrgyz Republic stand out for relying on a large supply of temporary workers. On average, a Kyrgyz firm employs 10 temporary and 46 permanent workers as compared to an average of only 3 temporary and 43 permanent workers in the region. That is, temporary workers make up about 18 percent of the work force in the Kyrgyz Republic compared with 7 percent in the region.

Kyrgyz firms are more likely to have full-time female workers and to have female participation in firm ownership compared with the ECA region. In

the Kyrgyz Republic, full-time female workers constitute a higher proportion of workers compared with the rest of the region (table 2). Compared with their respective counterparts, female representation in the work force is higher in Kyrgyz firms that have a female top manager (55 percent vs. 39 percent) and that have a female owner (46 percent vs. 37 percent). The Kyrgyz Republic has the highest proportion of firms with female owners (figure 1). Equally striking is that about 70 percent of

the manufacturing firms have female participation in ownership compared with only 48 percent of the retailing firms. In contrast, a majority of other ECA countries (20 out of 28) have a smaller proportion of manufacturing firms with female owners compared with retailing firms.

Foreign private ownership of firms in the Kyrgyz Republic equals 13 percent, which is the second highest in the region after Albania (table 1). A majority of firms in the Kyrgyz Republic are closed shareholding companies (68 percent) followed by open shareholding companies (27 percent). Among large

firms, open shareholding companies are more common (60 percent) than closed shareholding companies (40 percent).

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Table 2 The average firm in the Kyrgyz Republic 2009

	Kyrgyz Republic	ECA†	EU-10‡
Age (years)	16.0	13.9	13.9
Percent of firms formally registered when started operations in the country	95.9	96.8	98.7
Most common legal form	Closed Shareholding Co.	Closed Shareholding Co.	Closed Shareholding Co.
Private domestic ownership (%)*	86.5	91.3	90.3
Private foreign ownership (%)*	12.6	6.2	7.4
Government/state ownership (%)*	0.8	1.1	0.5
Percent of firms with female participation in ownership	60.4	36.7	39.0
Percent of firms with female in top management position	23.0	18.9	22.2
Experience of the top manager (years)	14.1	16.1	17.2
Average number of temporary workers	9.9	3.2	2.5
Average number of permanent, full-time workers	46.4	43.4	36.4
Percent of full-time female workers	42.6	38.5	40.1

Source: Enterprise Surveys.

How do businesses operate in the Kyrgyz Republic?

Compared with the rest of the region, firms in the Kyrgyz Republic rely less on bank financing for investments and more on equities and sales of stock. Only 14 percent of all investments in the Kyrgyz Republic is financed by banks as compared with 23 percent in the region. Equity and stock sales account for 21 percent of the investments in the Kyrgyz Republic compared with only 9 percent in the region. In fact, this figure for Kyrgyz Republic is the third highest in the region. Less reliance on banks by regional standards is also reflected in the low percentage of Kyrgyz firms that have a checking or savings account (69 percent) (table 3). In the ECA region, only the Slovak Republic and Romania have lower percentages.

The Kyrgyz Republic stands out in the region for its sharp differences in financing patterns between small and

large firms (figure 3). For example, the value of collateral required for loans equals about 157 percent of the loan amount for small firms in the Kyrgyz Republic and 98 percent for large firms. In the rest of the region, these amounts stand at 134 percent and 129 percent, respectively.

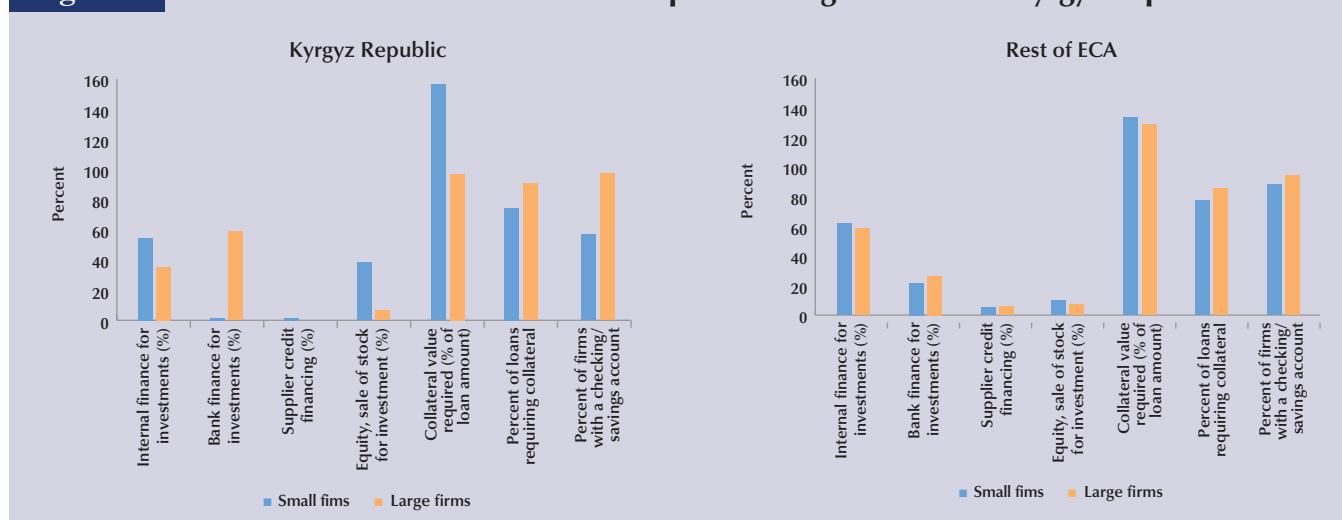
While 12 percent of the Kyrgyz firms export as compared with about 22 percent in the region, direct export volume as a percentage of sales averaged over all firms in the Kyrgyz Republic is comparable to the rest of the region (table 3). The Kyrgyz Republic also stands out for the high percentage of its sales that are pre-paid (39 percent) compared with the region as a whole (23 percent). By contrast, sales made on credit are much lower in the Kyrgyz Republic than elsewhere in the region (table 3).

The prevalence of firms that use their own Web site or e-mail to communicate with clients is low by

Table 3 Choices by the average firm in the Kyrgyz Republic 2009

	Kyrgyz Republic	ECA†	EU-10‡
Internal finance for investment (%)	58.3	59.7	58.8
Bank finance for investment (%)	13.9	22.9	25.7
Value of collateral needed for a loan (% of the loan amount)	127.8	132.2	123.4
Loans requiring collateral (%)	85.1	81.0	74.2
Percent of firms with a checking or savings account	68.9	88.9	85.2
Percent of exporter firms	11.9	22.1	29.1
Domestic sales (% of sales)	93.0	90.8	88.3
Sales exported directly (% sales)	6.4	7.1	9.5
Sales exported indirectly (% sales)	0.7	2.0	2.2
Sales that are pre-paid (%)	38.9	23.0	11.2
Sales sold on credit (%)	31.7	49.4	66.3
Percent of firms with internationally recognized quality certification	16.2	20.0	25.8
Percent of firms with annual financial statement reviewed by external auditor	37.8	37.9	38.6
Capacity utilization (%)	57.7	73.7	81.3
Percent of firms using their own Web site	26.1	48.5	63.6
Percent of firms using e-mail to communicate with clients/suppliers	43.9	73.1	88.3

Source: Enterprise Surveys.

Figure 3 Small firms lack access to credit compared to large firms in the Kyrgyz Republic

Source: Enterprise Surveys.

Source: Enterprise Surveys.

regional standards (table 3); this is especially true among manufacturing and other services firms. For example, about 39 percent of the manufacturing firms in the Kyrgyz Republic, compared with 79 percent in the entire region, use e-mail. Comparable figures for retailing firms equal 53 percent and 65 percent, respectively. The percentage of firms using internationally recognized quality certification is also lower compared to the ECA region (table 3). The Kyrgyz Republic stands out for the lowest level of capacity utilization (58 percent) in the region after Georgia.

What constrains firms in the Kyrgyz Republic

Kyrgyz firms face many constraints to doing business, most notably corruption, inadequate provision of electricity, and access to finance. Transparency International's 2010 Corruption Perceptions Index ranks the Kyrgyz Republic at 164 out of 178, which parallels the Enterprise Survey data Incidence of Graft index ranking of 25 out of 29 ECA countries (table 1). Corruption is a tangible constraint for the private sector. When asked to choose the biggest obstacle facing the establishment among the 15 obstacles presented, 24 percent of the firms chose electricity and 20 percent of the firms chose access to finance.

Corruption is pervasive in the Kyrgyz Republic and firms report some of the highest levels of bribery and corruption throughout the ECA region. Thirty-nine percent of the Kyrgyz firms report having to bribe tax inspectors; only Azerbaijan and Uzbekistan have higher

percentages (43 percent and 52 percent, respectively). Firms in Bishkek report a significantly higher prevalence of tax-related bribes (53 percent) compared to the other four regions (17 percent to 24 percent) (figure 4). Almost one-half of the firms report having to bribe public officials in order to "get things done" with respect to procedures such as customs, licenses, and services (only Azerbaijan and Uzbekistan are higher). The prevalence of this type of particular bribe varies by ownership: firms with female participation in ownership report significantly fewer bribes of public officials compared to entirely male owned firms (38 percent vs. 61 percent). Among firms that have secured or attempted to secure a government contract, 53 percent report that the firms are expected to give gifts to secure the government contract; this is the highest percentage in ECA. In addition to pervasive corruption, less than

one-quarter of Kyrgyz firms believe the court system to be fair, impartial, and uncorrupted; only four other ECA countries have lower percentages for this measure. Conventional crime, as opposed to corruption, does not appear to be a major issue for firms in the Kyrgyz Republic relative to the rest of ECA (table 4).

The Kyrgyz Republic fares poorly in infrastructure, specifically electricity, when compared to the ECA region: the number, duration, and value lost due to power outages is consistently greater than for most ECA countries. (The Kyrgyz Republic ranks 24, 27, and 26 out of 29

countries for these three indicators respectively.) Eighty-one percent of exporter firms identify electricity as a

Almost one-half of firms report having to bribe public officials in order to "get things done" with respect to procedures such as customs, licenses, and services.

Table 4 Constraints on the average firm in the Kyrgyz Republic 2009

	Kyrgyz Republic	ECA†	EU-10‡
Number of power outages in a typical month	5.7	5.2	2.1
Senior management time spent in dealing with requirements of government regulation (%)	4.9	10.6	9.5
Average number of visits or required meetings with tax officials	2.1	1.6	1.1
Percent of firms expected to pay informal payment to public officials (to get things done)	47.8	23.1	12.7
Incidence of graft index**	25.7	13.5	6.8
Losses due to theft, robbery, vandalism, and arson against the firm (% of sales)	0.3	0.5	0.4
Percent of firms paying for security	45.2	57.7	62.2

Source: Enterprise Surveys.

major constraint—significantly more than non-exporter firms at 56 percent. In addition to the inadequate provision of electricity, corruption is a large issue regarding the provision of infrastructure services. Compared to other ECA countries, Kyrgyz firms report high percentages of expected bribery in order to obtain multiple infrastructure services, such as electrical connections, water connections, and construction permits.

Overall, Kyrgyz firms fare well in terms of the “time tax” relative to other ECA countries. On average, 4.9 percent of senior management time is spent dealing with the requirements of government regulation. However, on average, firms have more required visits or meetings with tax officials (table 4). In fact, the Doing Business Paying Taxes index ranks the Kyrgyz Republic at 150 out of 183 in the *Doing Business 2011* report.

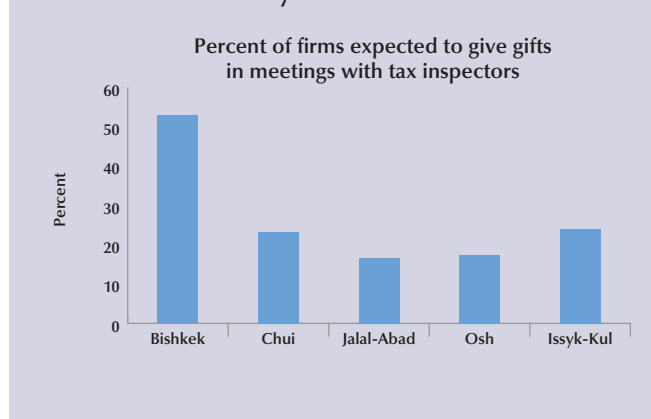
How has the business environment changed over the past three years?

The Enterprise Surveys data provide the tools to monitor changes in the business environment across different rounds of surveys. In the Kyrgyz Republic, of the 235 firms interviewed in 2009, 71 were also surveyed in 2005.⁴ Since the same firms were interviewed over time,

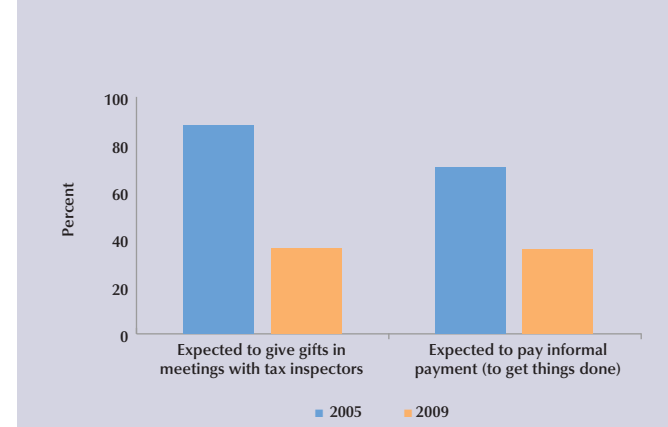
this subset of data provides a more appropriate evaluation of the evolution of the business environment and the impact of business environment reforms than the full data sets for both years. Considering the full data sets would introduce effects that are the result of variations in the sample composition over the two years.⁵ Therefore, the following analysis refers only to those firms that were interviewed in both rounds of surveys.

Improvements regarding less corruption of public officials are evident in the cross-year data. The percentage of firms expected to give gifts in meetings with tax officials significantly decreased from 87 percent in 2005 to 37 percent in 2009 (figure 5). Business reforms undertaken by the Kyrgyz government regarding tax rates and tax administration are likely responsible for the decrease in tax-related bribery. Furthermore, the percentage of firms expected to give gifts to public officials “to get things done” significantly decreased from 69 percent to 36 percent (figure 5). These large decreases suggest that the business environment is improving over time with regard to corruption.

Other changes in the business environment over time included increased sales using credit and an improvement in the use of internationally recognized certifications. The

Figure 4 Prevalence of tax-related bribes varies by location

Source: Enterprise Surveys.

Figure 5 Decreasing bribery of public officials over time

Source: Enterprise Surveys.

panel data indicate that firms are increasingly selling their goods and services pre-paid or on credit. The percentage of sales sold on credit significantly increased from an average of 18 percent to 41 percent from 2005 to 2009; for pre-paid sales, the increase was 27 percent to 38 percent.⁶ Firms have also reported a significant increase in internationally recognized quality certification (from 9 percent to 22 percent). However, despite this improvement in technology, the percentage of manufacturing firms offering formal training has significantly decreased from 63 percent to 29 percent.

Despite a noticeably improving business environment, firms in the Kyrgyz Republic continue to face challenges, notably corruption and inadequate provisions of electricity. Firms also face difficulties accessing financing, particularly smaller-sized firms. The Kyrgyz Republic's strong pace of business regulation reforms during the last four years appears to be having a positive impact on firms: firms report a decrease in the incidence of bribing public officials. Further diminishing opportunities for bribery, expanding opportunities for international trade, employing technologies to increase business efficiency, and increasing credit for smaller-sized firms offer future reforms aimed at improving the Kyrgyz Republic's business environment.

Notes

1. The Enterprise Surveys, implemented in Eastern Europe and Central Asia countries, are also known as Business Environment and Enterprise Performance Surveys (BEEPS) and are jointly conducted by the World Bank and the European Bank for Reconstruction and Development for this geographic region.
2. This figure presents the unweighted distributions by size, sector, and location of the firms interviewed without any inferences to the whole economy.
3. The term "average firm" is used to convey the average firm

characteristics from the Kyrgyz Republic 2009 Enterprise Survey. The sample of firms interviewed is representative of the manufacturing and services sectors of the economy. For more information on the survey methodology please consult <http://www.enterprisesurveys.org/Methodology/>

4. The information collected in 2005 refers to the characteristics of the firm at the moment of the survey or to fiscal year 2004.
5. The firms surveyed in both years may not be representative of the Kyrgyz Republic's private non-agricultural economy since these are a subset of the full sample. Firms with fewer than five employees may be included among the firms surveyed in both years. The analysis presented is purely descriptive and does not aim at establishing causality between reforms and their intended effects.
6. For pre-paid sales, the increase was marginally significant at $p=0.06$.
- * The ownership variables represent the average ownership composition within a firm. These variables do not represent the ownership composition across firms.
- ** The incidence of Graft Index is the percentage of instances in which a firm was either expected or requested to provide a gift or informal payment during solicitations for public services, licenses or permits. This Index uses data from 6 survey questions for each firm. For purposes of Index computation, a refusal to answer a particular survey question is considered an affirmative answer. This Index is a modified version of the Graft Index defined in A. Gonzalez et.al. (2007) World Bank Policy Research Working Paper #4394.
- † ECA includes Albania 2009, Armenia 2009, Azerbaijan 2009, Belarus 2008, Bosnia and Herzegovina 2009, Bulgaria 2009, Croatia 2009, Czech Republic 2009, Estonia 2009, Georgia 2008, Hungary 2009, Kazakhstan 2009, The Republic of Kosovo 2009, Kyrgyz Republic 2009, Latvia 2009, Lithuania 2009, FYR Macedonia 2009, Moldova 2009, Montenegro 2009, Poland 2009, Romania 2009, Russian Federation 2009, Serbia 2009, Slovak Republic 2009, Slovenia 2009, Tajikistan 2008, Turkey 2008, Ukraine 2008, and Uzbekistan 2008.
- ‡ EU-10 includes 2009 data from Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, and Slovenia.

The Enterprise Surveys measure the business environment in more than 100 countries in the world. A standardized questionnaire, universe under study, and implementation methodology is used to make sure information is comparable across countries and time. The full data and documentation explaining the methodology are available at www.enterprisesurveys.org.

The Country Notes are a product of the staff of the Enterprise Analysis Unit. The findings, interpretations and conclusions expressed in this note are entirely those of the authors. They do not necessarily represent the views of the International Bank for Reconstruction and Development/World Bank and its affiliated organizations, or those of the Executive Directors of the World Bank or the governments they represent.



THE WORLD BANK



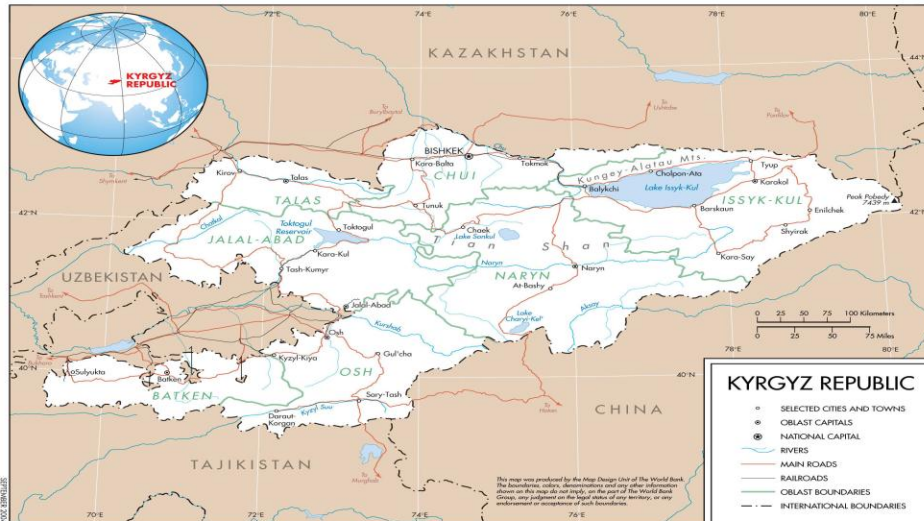
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Kyrgyz Republic Country Profile 2013

Enterprise Surveys



Region: Eastern Europe & Central Asia
Income Group: Low income
Population: 5,582,100
GNI per capita: US\$990.00

Enterprise Surveys

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Introduction

Enterprise Surveys

The Enterprise Surveys focus on the many factors that shape the business environment. These factors can be accommodating or constraining for firms and play an important role in whether a country will prosper or not. An accommodating business environment is one that encourages firms to operate efficiently. Such conditions strengthen incentives for firms to innovate and to increase productivity—key factors for sustainable development. A more productive private sector, in turn, expands employment and contributes taxes necessary for public investment in health education, and other services. In contrast, a poor business environment increases the obstacles to conducting business activities and decreases a country's prospects for reaching its potential in terms of employment, production, and welfare.

The Enterprise Surveys are conducted by the World Bank and its partners across all geographic regions and cover small, medium, and large companies. The surveys are administered to a representative sample of firms in the non-agricultural formal private economy. The sample is consistently defined in all countries and includes the entire manufacturing sector, the services sector, and the transportation and construction sectors. Public utilities, government services, health care, and financial services sectors are not included in the sample. For countries in the Europe & Central Asia (ECA) region, the project is administered in conjunction with the European Bank for Reconstruction and Development (EBRD) and branded as the Business Environment and Enterprise Performance Survey (BEEPS). The Enterprise Surveys collect a wide array of qualitative and quantitative information through face to face interviews with firm managers and owners regarding the business environment in their countries and the productivity of their firms. The topics covered in Enterprise Surveys include infrastructure, trade, finance, regulations, taxes and business licensing, corruption, crime and informality, finance, innovation, labor, and perceptions about obstacles to doing business.

The qualitative and quantitative data collected through the surveys connect a country's business environment characteristics with firm productivity and performance. The Enterprise Survey is useful for both policymakers and researchers. The surveys are repeated over time to track changes and benchmark the effects of reforms on firms

Country Profiles

The Country Profiles produced by the Enterprise Analysis Unit of the World Bank Group provide an overview of key business environment indicators in each country, comparing them to their respective geographic region and group of countries with similar incomes.** Breakdowns by firm size are presented in the Appendix of the document along with all indicators used to make the graphs. The same topics are covered for all countries with slight variations in indicators, subject to data availability. This format allows cross country comparisons. All indicators are based on the responses of firms.

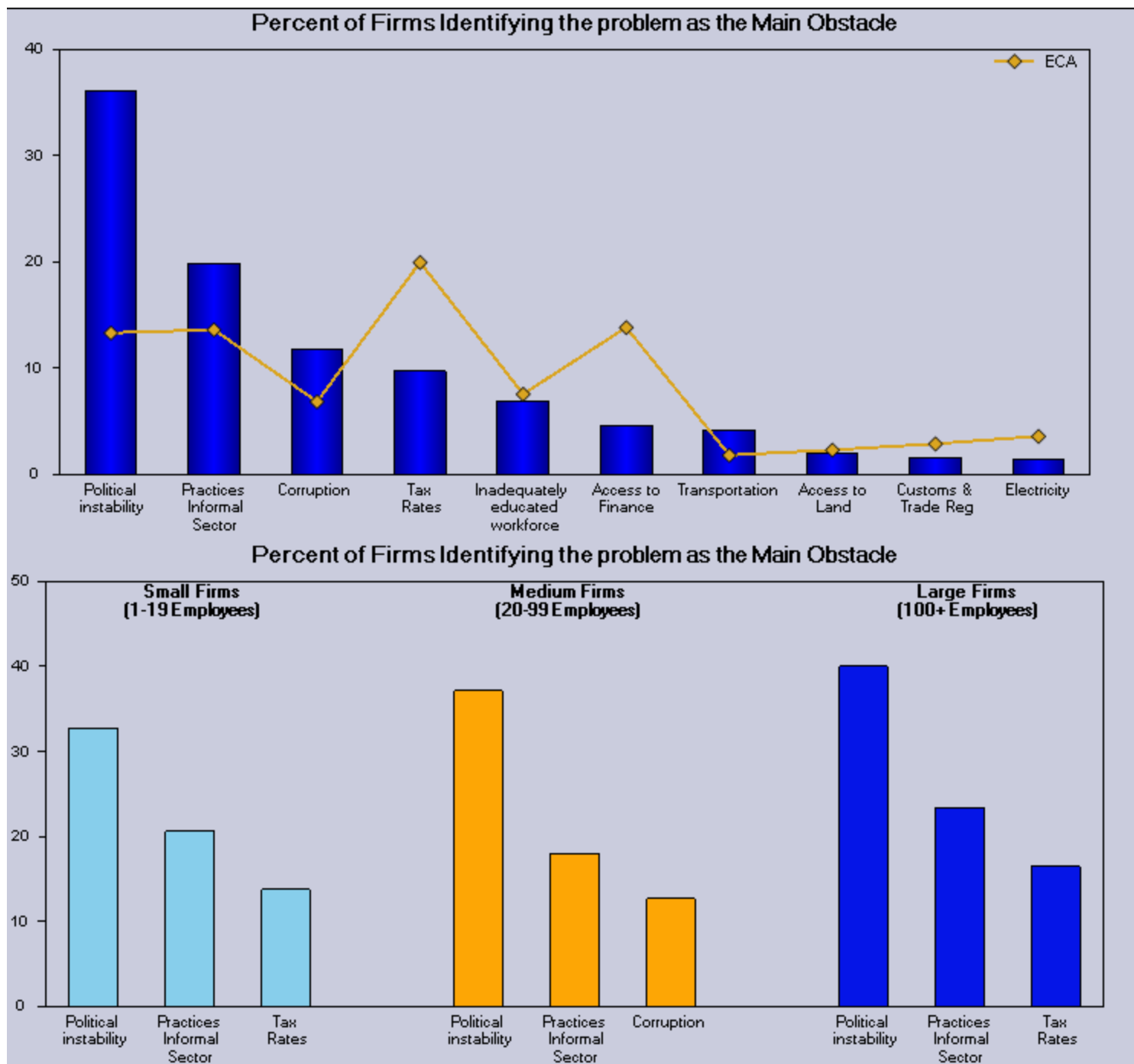
To learn more about the firms sampled for this Country Profile, tabulations for these and other indicators presented by firm size, industry, national region, etc., or to obtain profiles of other countries, please visit www.enterprisesurveys.org.

Business Environment Obstacles

The Country Profile for Kyrgyz Republic is based on data from the Enterprise Surveys conducted by the World Bank. The benchmarks include the averages for the group of countries in Eastern Europe & Central Asia and the Kyrgyz Republic income group.

Below is a snapshot of the biggest business environment obstacles as perceived by firms. The first graph presents the top 10 constraints as identified by firms in Kyrgyz Republic benchmarked against the regional average. The second graph shows the top 3 constraints broken down by large, medium, and small firms in Kyrgyz Republic.

Snapshot of the Business Environment in Kyrgyz Republic



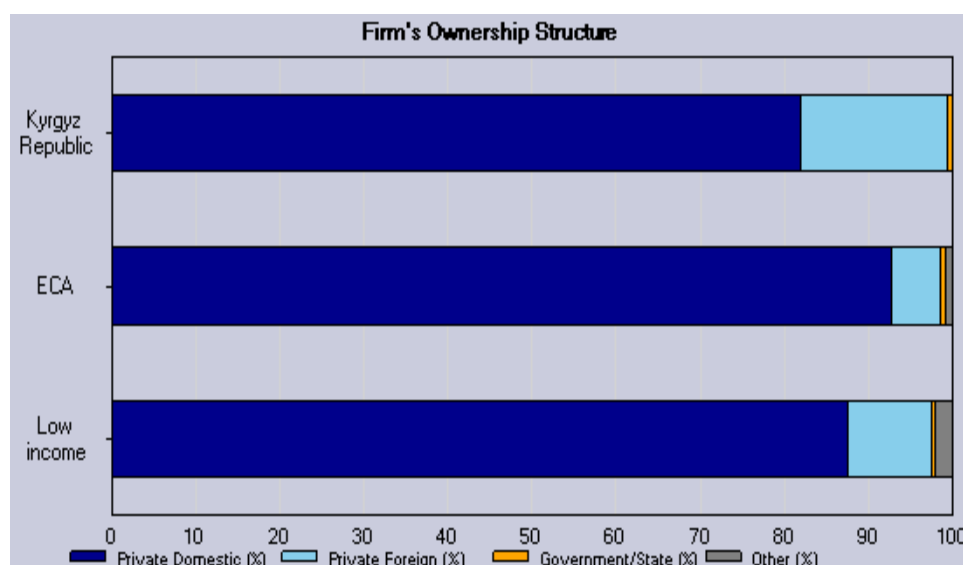
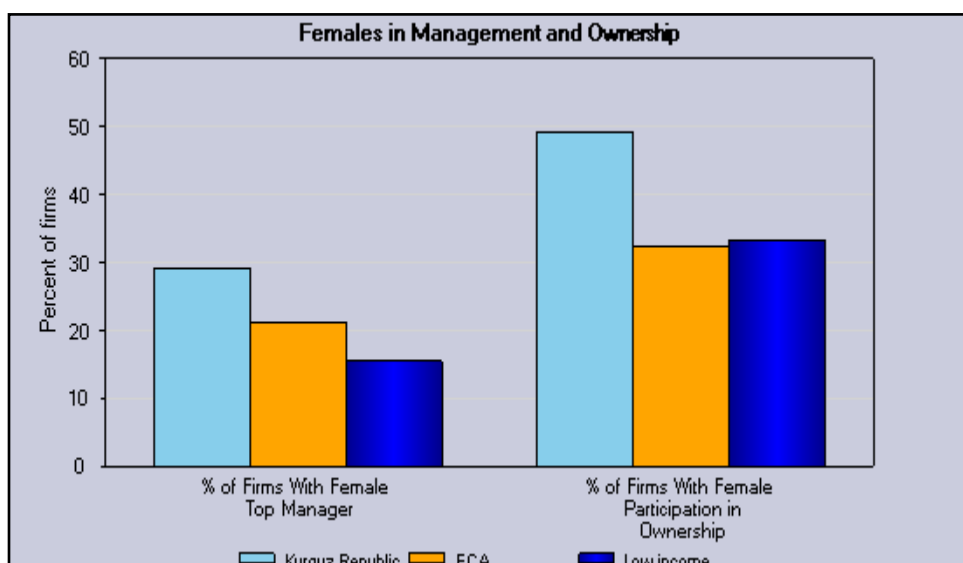
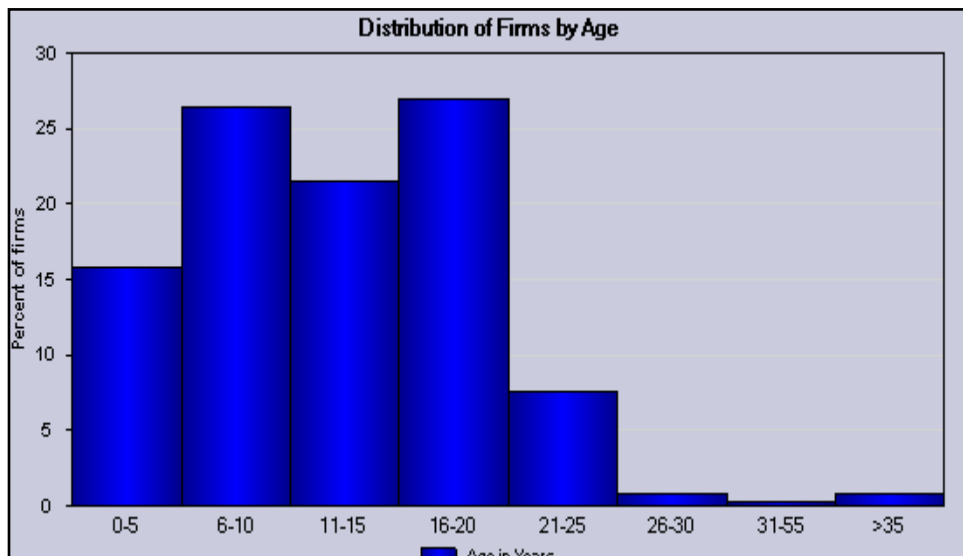
Average Firm

The Enterprise Surveys collect information from a representative sample of the non-agricultural formal private economy. In addition to collecting information on the business environment the surveys collect information on the characteristics of the firms interviewed. Consequently, the data collected provides a description of the representative private firm in the country and also an estimate of how some of the attributes of the average firm are distributed across the population of firms.

The first indicator shows the distribution of firms according to their age measured by the number of years they have been in operation. The effect the business environment can have on the private sector may depend on firms' experience and longevity. Seasoned firms and young firms may differ in their ability to successfully navigate the business environment.

The second set of indicators provides an illustration of female participation in management and firm ownership. These indicators can help assess whether gender can be a determinant of the effect of regulations on the firm and the level of exposure of the firm to external factors, such as corruption, access to finance, and technology.

The third indicator shows the participation of the domestic private sector, the government the foreign sector and other sectors in the ownership of the typical firm. The distribution provides insight into their levels of equity in the private sector of the economy.



Infrastructure

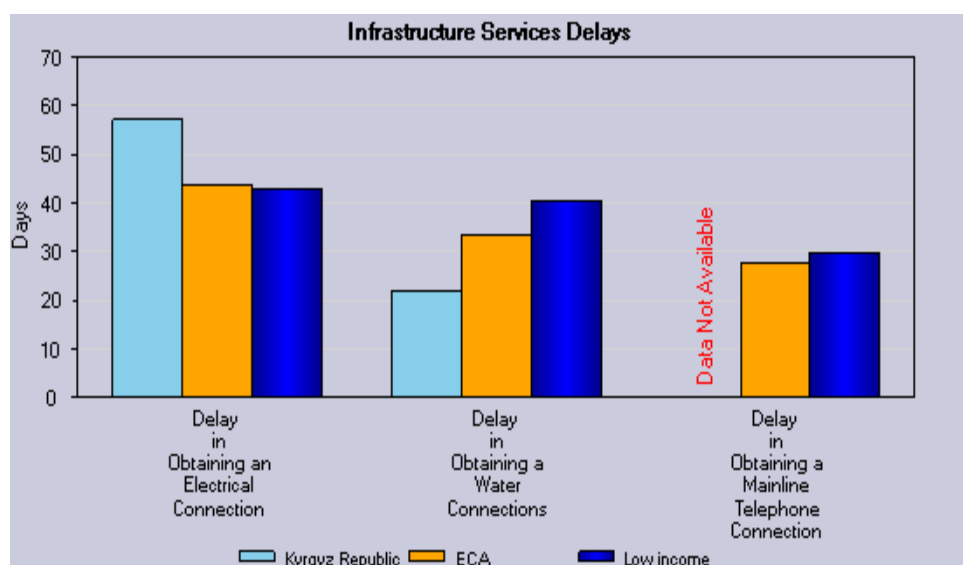
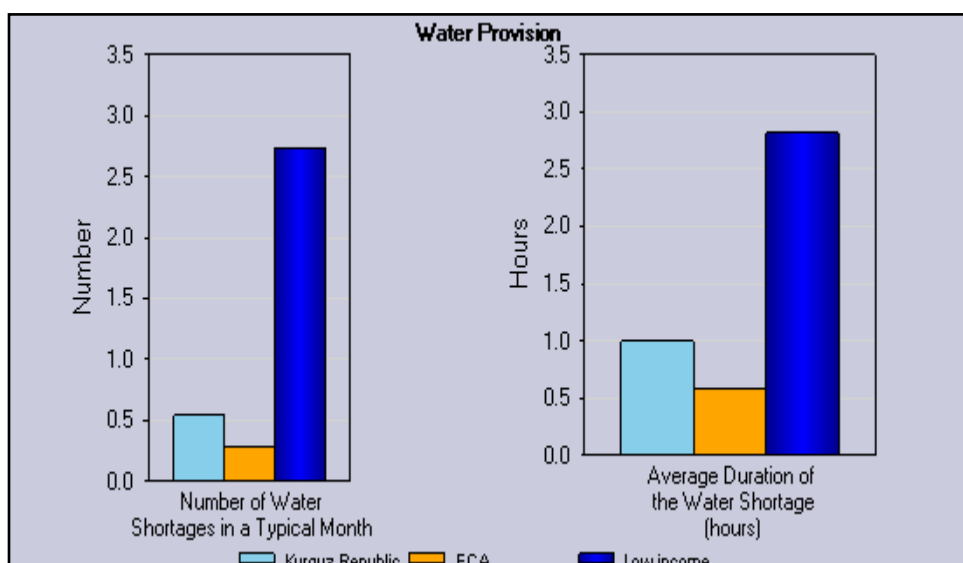
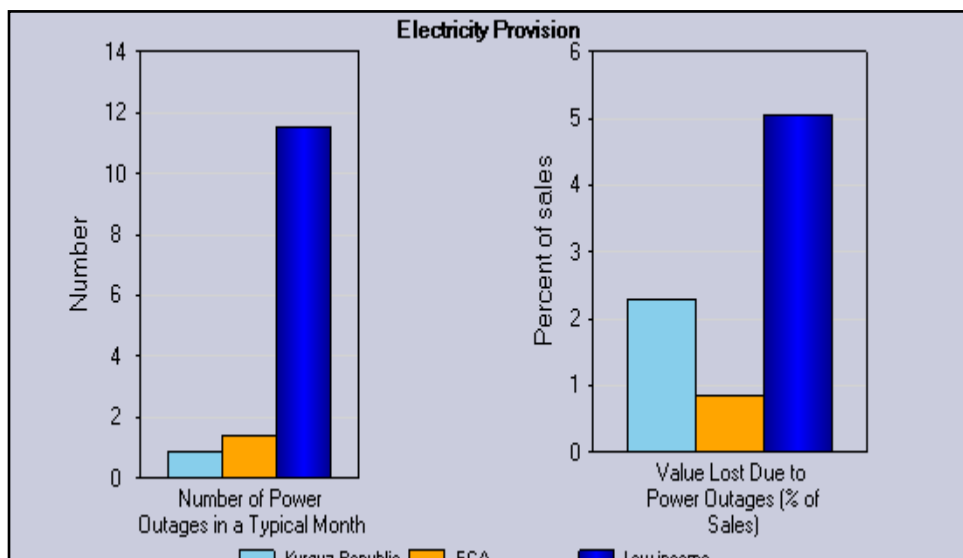
A strong infrastructure enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers, and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms from micro enterprises to large multinational corporations.

The Enterprise Surveys capture the dual challenge of providing a strong infrastructure for electricity, water supply, telephone connections, etc., and the development of institutions that effectively provide and maintain public services.

The first set of indicators shows the extent to which firms are faced with failures in the provision of electricity and the effect of these failures on sales. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability.

The second set of indicators measures the efficiency of the water supply for the manufacturing sector.*** Many manufacturing sectors depend on reliable and efficient sources of water for their operations.

The third set of indicators evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.



Trade

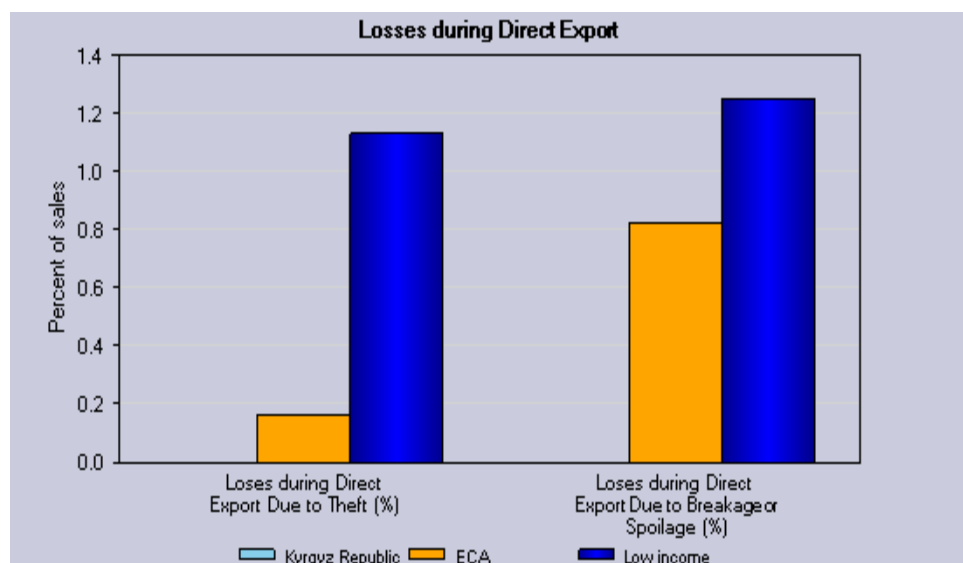
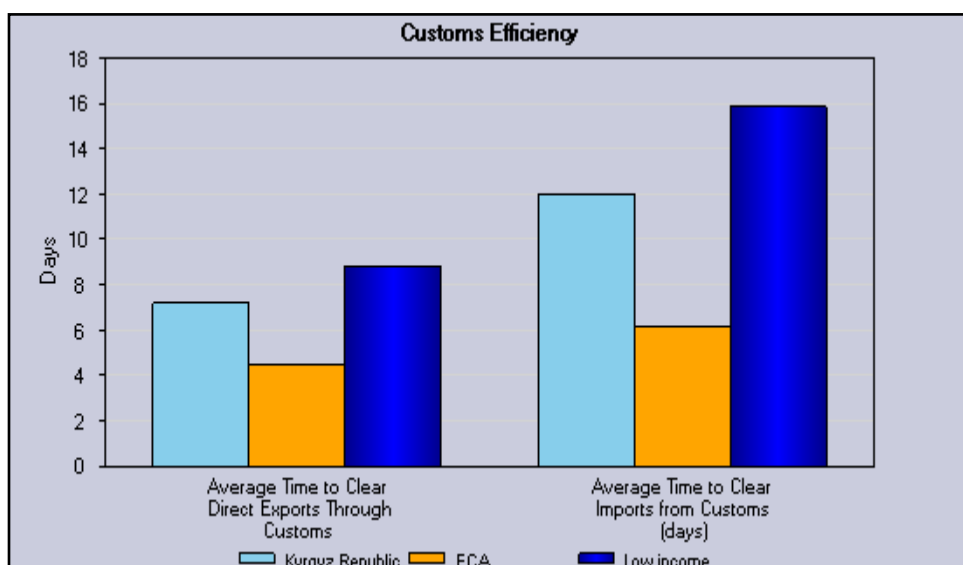
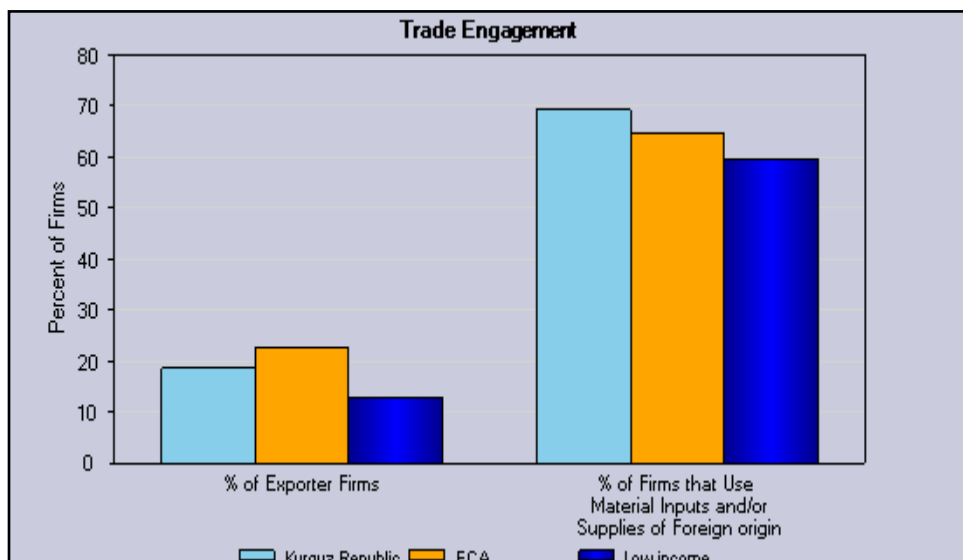
Open markets allow firms to expand, raise standards for efficiency on exporters, and enable firms to import low cost supplies. However, trading also forces firms to deal with customs services and trade regulations obtain export and import licenses, and in some cases, firms also face additional costs due to losses during transport.

The Enterprise Surveys collect information on the operational constraints faced by exporters and importers and also quantifies the trade activity of firms.

The first set of indicators provides a measure of the intensity of foreign trade in the private sector. The first graph shows the percentage of firms who export directly or indirectly, i.e. using an intermediary. The second panel shows the percentage of manufacturing firms who use inputs or supplies of foreign origin.***

The second set of indicators measures the average number of days to clear customs for imports*** and exports. The delay in clearing customs for imports or exports creates additional costs to the firm, can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The third set of indicators shows the percent value of exports lost during transport due to merchandise theft, and breakage or spoilage, reflecting the transport risks firms face during the export process.



Regulations, Taxes, and Business Licensing

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favorable business environment.

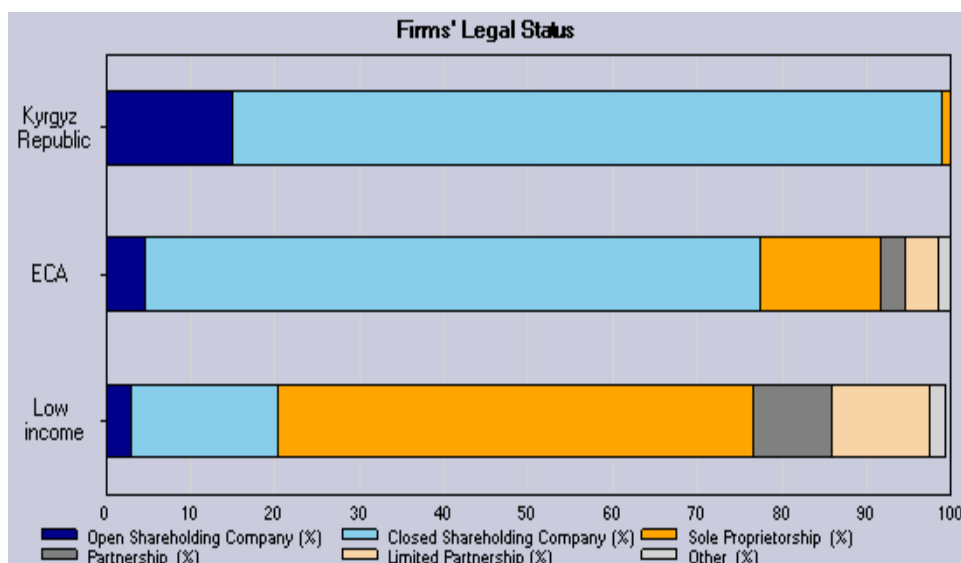
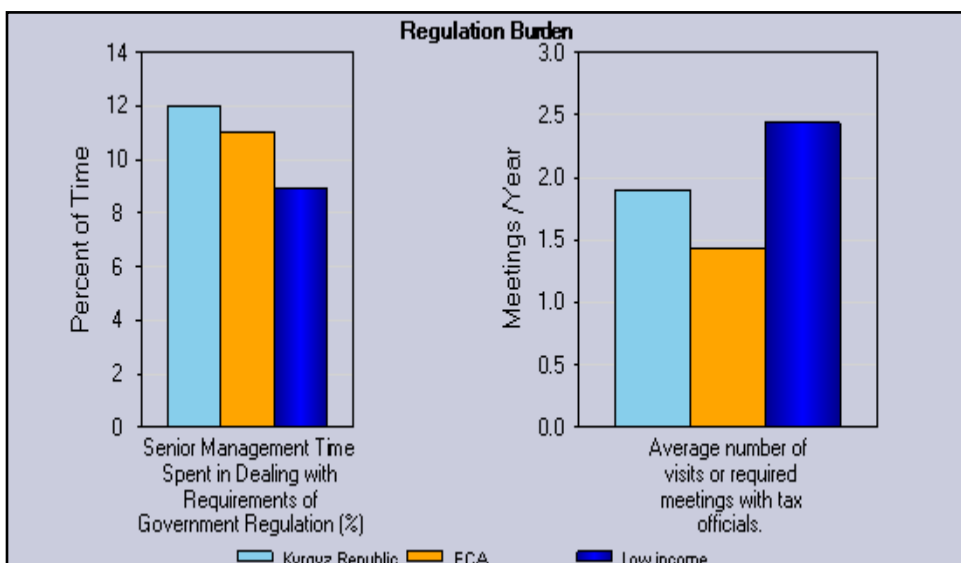
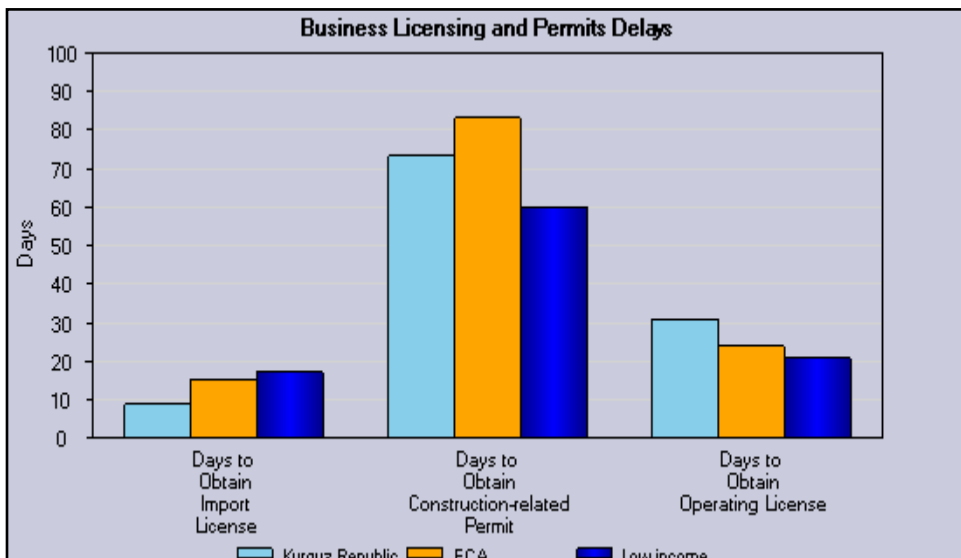
Effective regulations address market failures that inhibit productive investment and reconcile private and public interests. The number of permits and approvals that businesses need to obtain, and the time it takes to obtain them, are expensive and time consuming. The existing legislation of a country also determines the mixed of legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest.

The Enterprise Surveys provide qualitative and quantitative measures of taxation, regulations, and business licensing.

The first set of indicators focuses on the efficiency of business licensing and permit services. The indicators evaluate the delays faced when demanding these services.

The second set of indicators first approximates the "time tax" imposed by regulations: it measures the time spent by senior management in meetings with public officials. Second, it measures the average number of tax inspections or meetings with tax inspectors in a given year.

The third indicator shows the relative use of the different legal forms in the private sector. Most legal forms around the world can be classified into shareholding companies with shares traded privately or non-traded at all (closed), shareholding companies publicly traded (open), sole proprietorships, partnerships, and limited partnerships. A residual category is included to capture legal forms not easily classified into the other categories.



Corruption

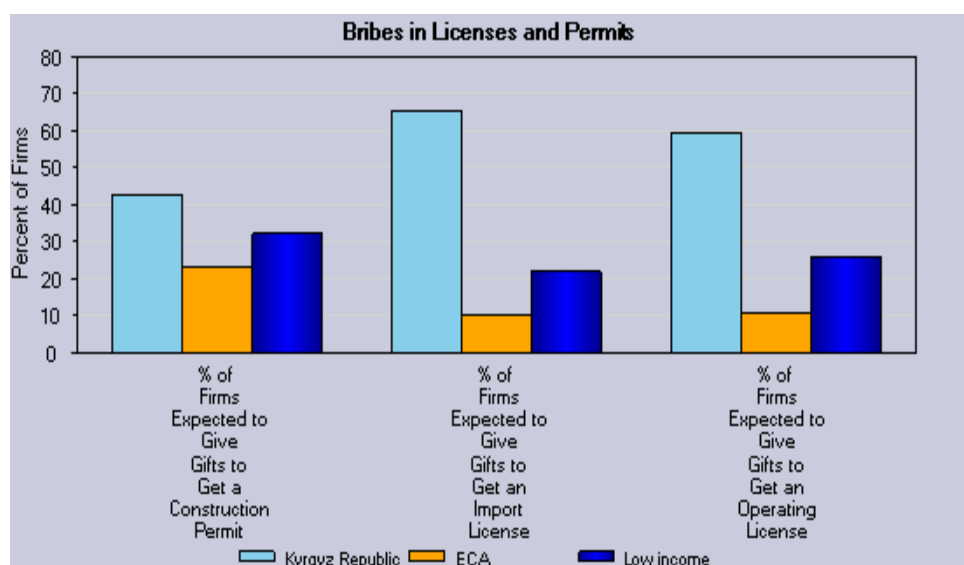
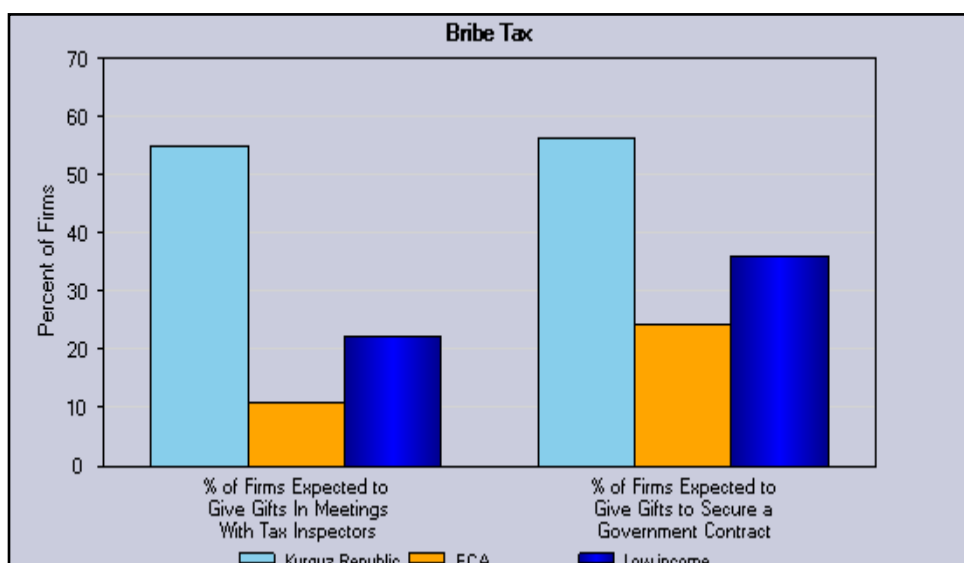
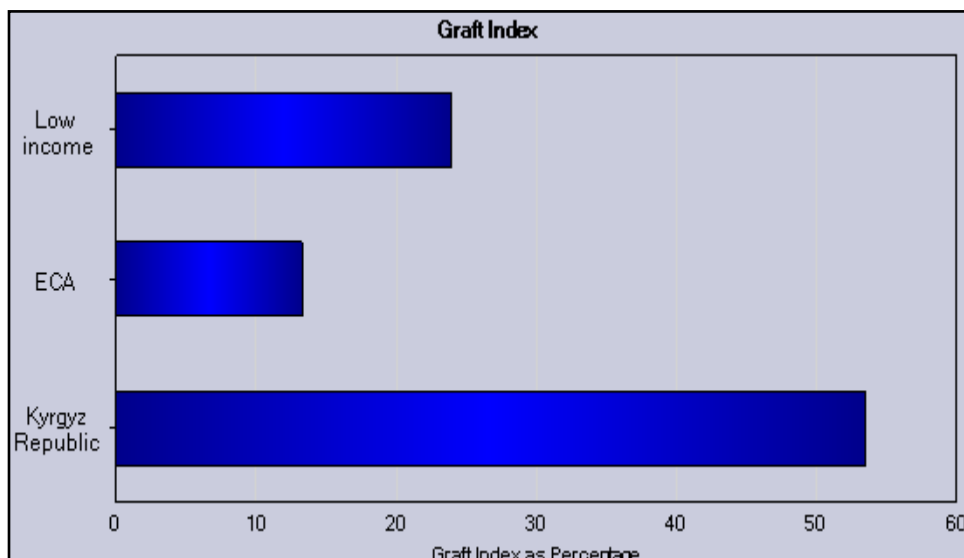
Corruption by public officials may present a major administrative and financial burden on firms. Corruption creates an unfavorable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business.

Inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make “unofficial” payments to public officials to get things done. In many countries bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for firms’ growth and development.

The first set of indicators measures a composite index of corruption, the Graft Index***, that reflects the proportion of times a firm was asked or expected to pay a bribe when soliciting six different public services, permits or licenses.

The second set of indicators identifies the extent to which specific regulatory and administrative officials require bribe payments during meetings with tax inspectors or in order to secure a government contract.

The third set of indicators focuses on bribes to obtain specific licenses or permits, and shows the share of firms that are expected to make informal payments to secure import and operating licenses and to obtain a construction permit.



Crime and Informality

Crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs. Both foreign and domestic investors perceive crime as an indication of social instability, and crime drives up the cost of doing business. Also, commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or non-existent.

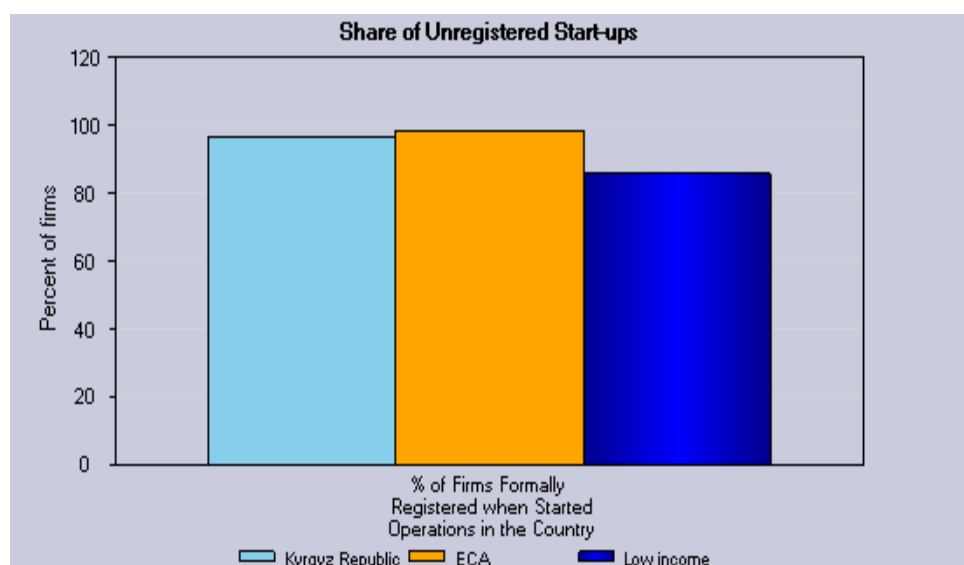
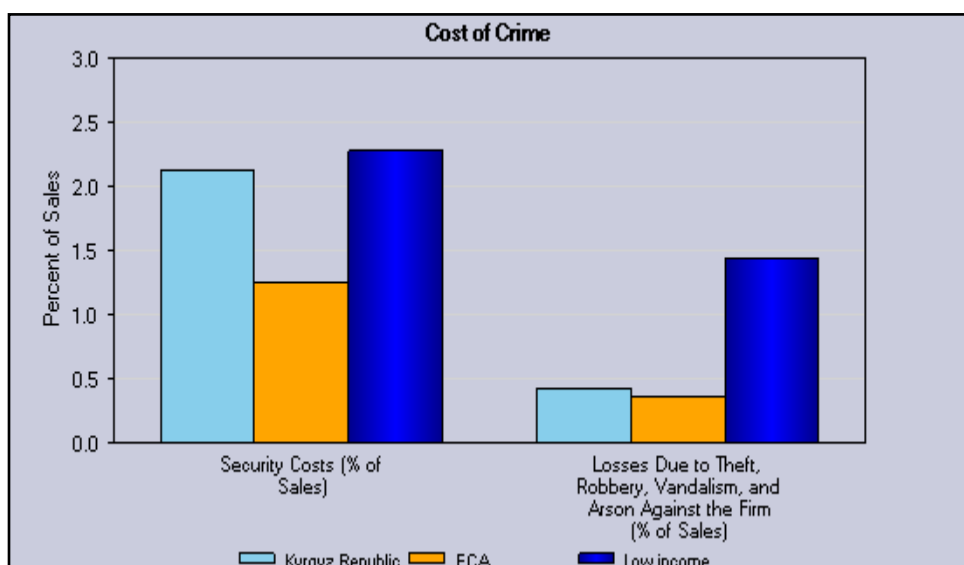
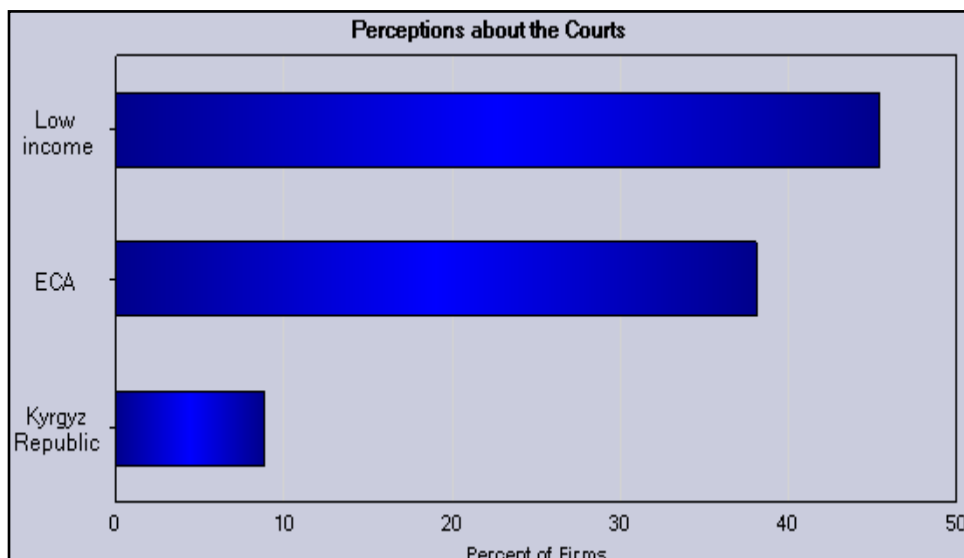
Similarly, a large informal sector has serious consequences for the formal private sector. The informal sector may pose unfair competition for formal firms.

The Enterprise Surveys capture key dimensions of the effect of crime on firm sales, the extent to which entrepreneurs identify courts as fair, and the degree of informality in an economy.

The first indicator shows the share of firms that recognize the functioning of the courts as being fair, impartial, and uncorrupted.

The second set of indicators measures the direct costs of security incurred by firms as well as their direct losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.

The third set of indicators shows the percentage of firms that started operation without begin formally registered. It is an approximation to the prevalence of informality in the private economy.



Finance

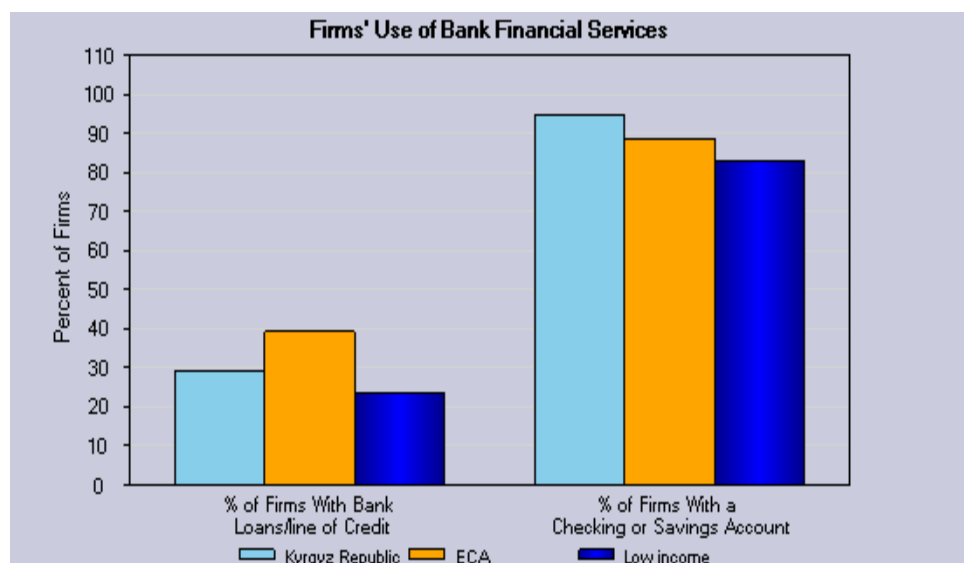
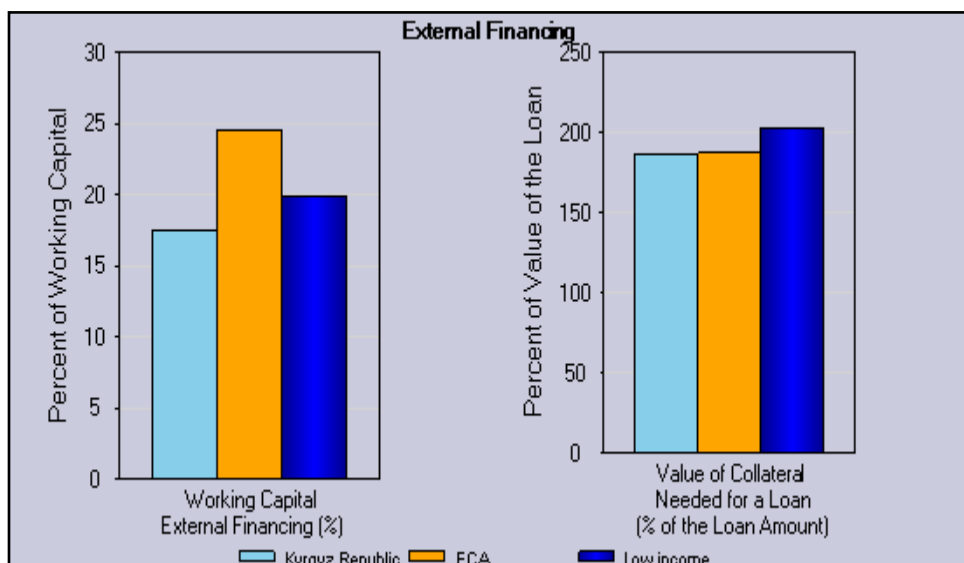
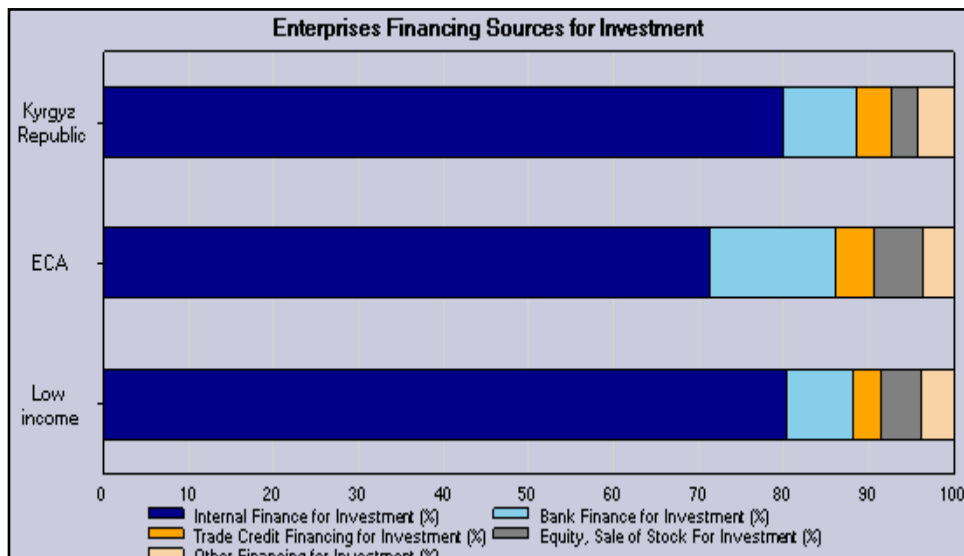
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and on money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

The Enterprise Surveys provide indicators of how firms finance their operations and of the characteristics of their financial transactions.

The first set of indicators compares the relative use of various sources to finance investment. Excessive reliance on internal funds is a sign of potentially inefficient financial intermediation.

The second set of indicators measures the use of financial markets by individual firms. It presents the percentage of working capital that is financed by external sources to the firm, and a measure of the burden imposed by loan requirements measured by collateral levels relative to the value of the loans.

The third set of indicators focuses on the use of financial services by private firms both on the credit side, by measuring the percentage of firms with bank loans or lines of credit, and on the deposit mobilization side, by measuring the percentage of firms with checking or savings accounts.



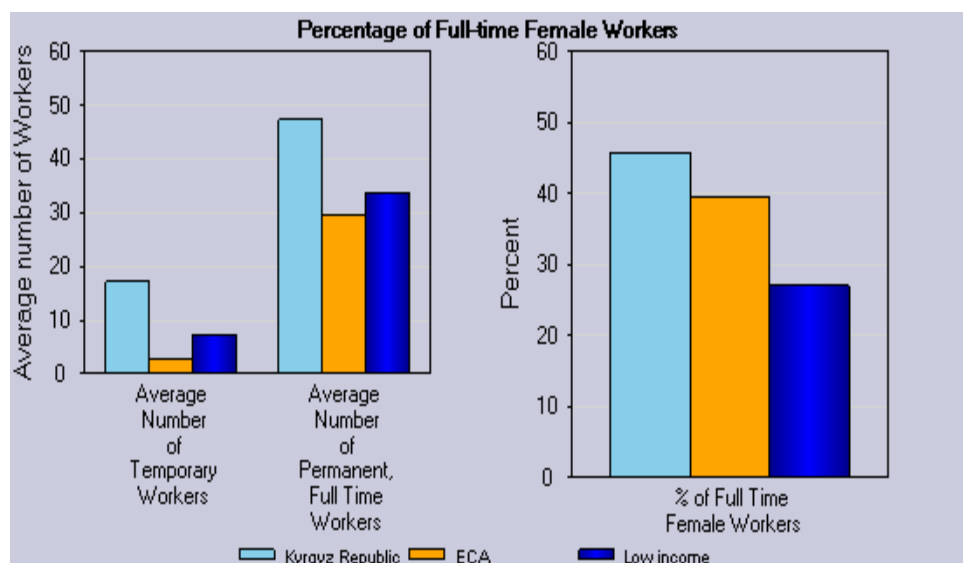
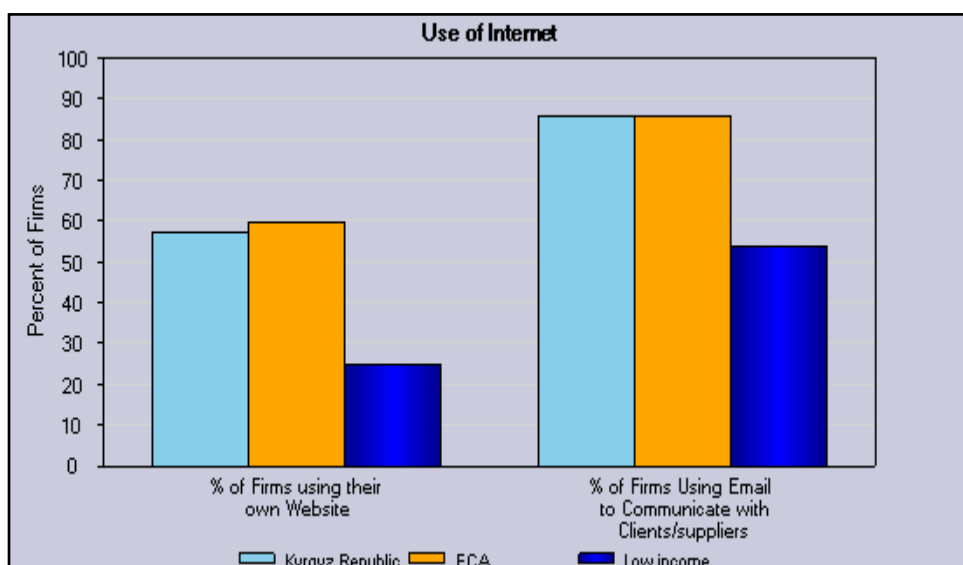
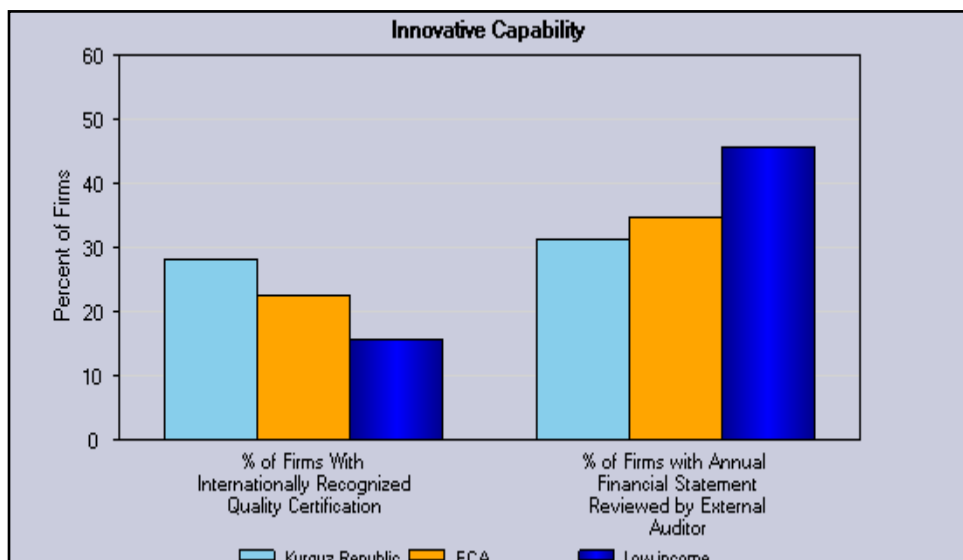
Innovation and Workforce

The Enterprise Surveys provide indicators that describe several dimensions of technology use and innovation. They also collect information on the characteristics of the workforce employed in the non-agricultural private economy.

The first set of indicators measures the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications can open doors to technology and innovation and they also provide a sign of high quality that may open markets.

The second set of indicators demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.

The third set of indicators presents the composition of the firm's workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment favored by firms and they may have a different impact by gender. The first two indicators present the composition of the workforce classified into temporary and permanent workers. The last indicator reflects the participation of women in regular full-time employment.



Summary of Enterprise Survey Indicators

	Kyrgyz Republic	Small Firms (1-19 Employees)	Medium Firms (20-99 Employees)	Large Firms (100+ Employees)	Eastern Europe & Central Asia	Low income
Corruption Indicators						
Incidence of Graft index	53.5	45.4	62.3	45.6	13.3	23.9
% of Firms Expected to Give Gifts In Meetings With Tax Inspectors	54.9	58.9	52.4	53.0	10.7	22.3
% of Firms Expected to Give Gifts to Secure a Government Contract	56.1	77.7	48.4	36.7	24.4	36.0
% of Firms Expected to Give Gifts to Get a Construction Permit	42.8	52.0	43.8	37.9	23.4	32.2
% of Firms Expected to Give Gifts to Get an Import License	65.4	50.1	81.8	56.4	10.5	21.9
% of Firms Expected to Give Gifts to Get an Operating License	59.6	53.2	65.0	57.9	10.6	26.0
Regulations, Taxes, and Business Licensing Indicators						
Days to Obtain Import License	9.0	5.7	10.3	10.3	15.4	17.2
Days to Obtain Construction-related Permit	73.4	47.9	93.7	54.2	83.2	60.0
Days to Obtain Operating License	31.0	23.0	30.8	42.6	24.0	20.8
Senior Management Time Spent in Dealing with Requirements of Government Regulation (%)	12.0	12.4	12.4	9.7	11.0	9.0
Average number of visits or required meetings with tax officials.	1.9	2.0	2.0	1.6	1.4	2.4
Open Shareholding Company (%)	15.0	7.9	18.8	20.7	4.7	3.0
Closed Shareholding Company (%)	83.8	90.3	80.1	79.3	72.8	17.3
Sole Proprietorship (%)	1.2	1.8	1.1	0.0	14.3	56.3
Partnership (%)	0.0	0.0	0.0	0.0	2.8	9.3
Limited Partnership (%)	0.0	0.0	0.0	0.0	3.9	11.6
Other (%)	0.0	0.0	0.0	0.0	1.5	2.0
Average Firm Indicators						
Age (years)	12.6	12.5	12.8	12.6	13.4	13.7
% of Firms With Female Top Manager	29.0	40.9	25.6	11.3	21.1	15.4
% of Firms With Female Participation in Ownership	49.2	52.3	48.0	45.3	32.4	33.2
Private Domestic (%)	82.0	85.9	84.3	67.2	92.8	87.5
Private Foreign (%)	17.4	13.5	15.4	31.4	5.8	9.9
Government/State (%)	0.6	0.6	0.3	1.4	0.5	0.5
Other (%)	0.0	0.0	0.0	0.0	0.9	2.1
Finance Indicators						
Internal Finance for Investment (%)	80.0	81.4	81.4	76.1	71.2	80.4
Bank Finance for Investment (%)	8.6	13.3	4.7	12.5	14.8	7.8
Trade Credit Financing for Investment (%)	4.1	3.0	5.0	3.2	4.6	3.3
Equity, Sale of Stock For Investment (%)	3.1	0.2	2.1	7.4	5.8	4.6
Other Financing for Investment (%)	4.2	2.2	6.8	0.8	3.6	3.9
Working Capital External Financing (%)	17.5	13.8	20.0	19.3	24.5	19.9
Value of Collateral Needed for a Loan (% of the Loan Amount)	187.0	159.4	185.0	206.8	187.3	203.1
% of Firms With Bank Loans/line of Credit	29.2	24.4	28.1	42.7	39.1	23.3
% of Firms With a Checking or Savings Account	94.7	94.6	93.5	98.4	88.6	83.0

Summary of Enterprise Survey Indicators

	Kyrgyz Republic	Small Firms (1-19 Employees)	Medium Firms (20-99 Employees)	Large Firms (100+ Employees)	Eastern Europe & Central Asia	Low income
Infrastructure Indicators						
Number of Power Outages in a Typical Month	0.9	0.8	1.0	0.8	1.4	11.5
Value Lost Due to Power Outages (% of Sales)	2.3	2.1	2.8	1.3	0.9	5.0
Number of Water Shortages in a Typical Month***	0.5	0.7	0.6	0.0	0.3	2.7
Average Duration of the Water Shortage (hours)***	1.0	2.0	0.7	0.0	0.6	2.8
Delay in Obtaining an Electrical Connection	57.1	4.5	87.3	33.0	43.8	42.8
Delay in Obtaining a Water Connections	21.9	14.8	8.9	32.2	33.2	40.4
Delay in Obtaining a Mainline Telephone Connection	N/A	N/A	N/A	N/A	27.6	29.8
Trade Indicators						
% of Exporter Firms	18.5	13.5	18.3	30.2	22.8	12.8
% of Firms that Use Material Inputs and/or Supplies of Foreign origin***	69.2	72.6	66.5	68.7	64.8	59.5
Average Time to Clear Direct Exports Through Customs	7.2	1.0	10.6	5.4	4.4	8.8
Average Time to Clear Imports from Customs (days) ***	12.0	16.4	7.1	18.3	6.1	15.8
Losses during Direct Export Due to Theft (%)	0.0	0.0	0.0	0.0	0.2	1.1
Losses during Direct Export Due to Breakage or Spoilage (%)	0.0	0.0	0.0	0.0	0.8	1.2
Crime and Informality Indicators						
% of Firms Believing the Court System is Fair, Impartial and Uncorrupted	8.8	3.3	11.3	14.6	38.1	45.4
Security Costs (% of Sales)	2.1	1.6	2.2	2.9	1.3	2.3
Losses Due to Theft, Robbery, Vandalism, and Arson Against the Firm (% of Sales)	0.4	0.4	0.6	0.1	0.4	1.4
% of Firms Formally Registered when Started Operations in the Country	96.5	95.4	98.3	94.4	98.4	85.5
Innovation and Workforce Indicators						
% of Firms With Internationally Recognized Quality Certification	28.3	18.6	28.9	47.3	22.6	15.8
% of Firms with Annual Financial Statement Reviewed by External Auditor	31.4	21.8	35.8	40.7	34.9	45.6
% of Firms using their own Website	57.2	54.0	54.5	71.7	59.8	24.8
% of Firms Using Email to Communicate with Clients/suppliers	85.9	82.9	83.9	98.2	85.8	53.7
Average Number of Temporary Workers	17.2	2.2	15.0	57.6	3.0	7.4
Average Number of Permanent, Full Time Workers	47.3	11.6	35.6	165.3	29.6	33.7
% of Full Time Female Workers	45.7	52.1	41.2	43.2	39.5	27.1

Notes:

* The sample for each country is stratified by industry, firm size, and geographic region. The level of detail of the stratification by industry depends on the size of the economy. Stratification by size follows the three levels presented in the text: small, medium, and large. Regional stratification includes the main economic regions in each country. Through this methodology estimates for the different stratification levels can be calculated on a separate basis while, at the same time, inferences can be made for the non-agricultural private economy as a whole. For more details on the sampling strategy, review the Sampling Note available at www.enterprisesurveys.org.

** Regional and income group indicators are calculated as the averages of country-level indicators in the respective region and income group using country data available at the time of publication.

*** These indicators are computed only for the manufacturing sector.

**** The Graft Index is the proportion of instances in which firms were either expected or requested to pay a gift or informal payment when applying for six different public services.

***** ECA-Eastern Europe & Central Asia

Enterprise Surveys

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